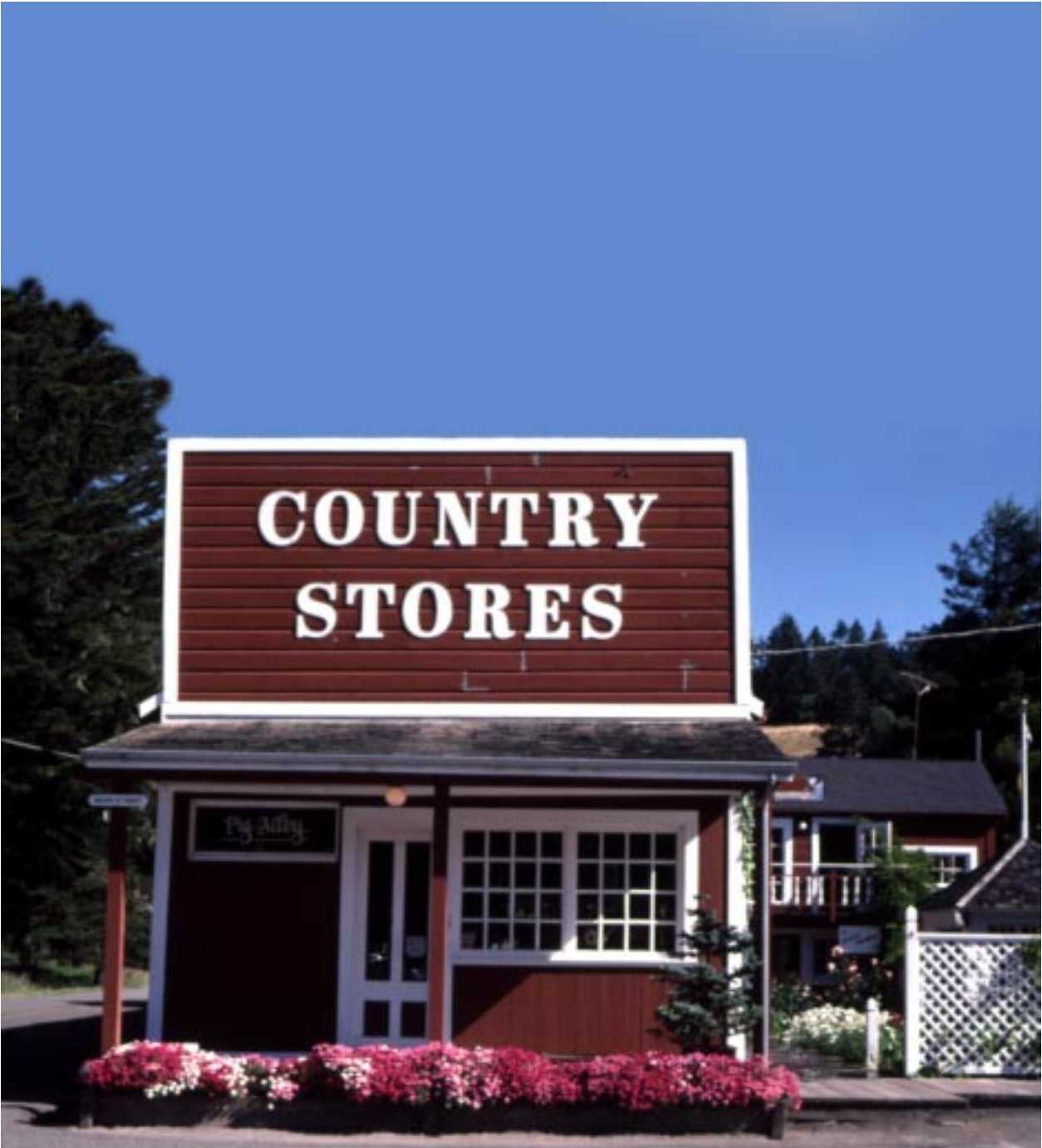

Growing the Economy: *Solutions for Rural California*





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July 1998

The Honorable Antonio R. Villaraigosa
Speaker of the Assembly
Room 219 – State Capitol
Sacramento, California 95814

Dear Mr. Speaker:

This is to respectfully submit the first report of the Assembly Select Committee on Rural Economic Development for your consideration. Entitled, "GROWING THE ECONOMY: *Solutions for Rural California*," this report outlines the 1997 work of the Committee, describes economic conditions in the First Assembly District, identifies barriers to economic prosperity for rural communities, and makes a number of findings and recommendations to guide future legislative action.

As the rest of California's economy rebounds from more than a decade of recession, rural California has been left behind. Metropolitan areas are experiencing growth in business and housing, in jobs and personal income, yet rural California is still waiting for its recession to end.

Understanding the needs of Rural California is critical to changing its plight. Armed with the clear and direct message that Sacramento must help, the Legislature is better equipped to make public policy decisions that can effect positive and productive change.

I would like to extend my gratitude to my colleagues on the Select Committee, and to the many First Assembly District residents who participated in our three conferences, making them such a success.

Please feel free to contact Carol Gaubatz, Committee Consultant, at (916) 319-3737, for more information or for additional copies of this report.

Sincerely,

Virginia Strom-Martin, Chair
Select Committee on Rural Economic Development

cc: Members of the Legislature



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Executive Summary

The Select Committee on Rural Economic Development is an advisory body of the California Assembly. The Committee's mission is to gather information on rural economies, with particular focus on the State laws, policies and regulations that adversely impact rural areas. Based on that information, the Committee's role is to recommend changes to those laws, policies or regulations that will help rural communities in their economic development efforts.

During the Interim of 1997, the Committee conducted three conferences in the First Assembly District as a case study of a rural economy. The conferences were planned by local community leaders with the assistance of Committee staff, and as a result, reflected the unique character of each host community. Each gathering featured local community leaders describing their successes and setbacks in economic development efforts.

Participants at the conferences suggested that many of the State programs designed to help rural economies are inaccessible. They cited the need for stronger support for essential infrastructure projects, job creation and job training programs. In addition, the participants suggested a variety of ways the State could facilitate rural economic growth through a range of incentive programs, such as special tax credits targeting rural business development and growth.

Based on the suggestions offered at each conference, the Committee developed the following findings:

- ▶ Infrastructure development requires support from the State.
- ▶ Job creation and job training efforts need stronger State support.
- ▶ State regulatory processes need to be streamlined.
- ▶ Programs to finance small business development must be reinforced.
- ▶ Community planning efforts need support from the State.

Each of the above findings is supported by specific recommendations, which may be found in the concluding section of this report.

This report is organized in five sections. Part I describes the economic base of the First Assembly District. Part II summarizes the three conferences, listing the speakers for each conference, followed by a synopsis from each gathering. Part III defines the common findings derived from the conferences, and Part IV lists specific recommendations based upon those findings. Part V contains closing comments.

The Select Committee on Rural Economic Development offers these recommendations as possible legislative solutions to address Rural California's economic development needs. It is the Committee's hope that this report will increase awareness of rural development issues and strengthen support for



Defining the Issues

Rural California is diverse and hard to define.

Rural California is made up of high, rugged mountains and seemingly endless stretches of rolling farmland. It consists of barren desert and bustling communities with shopping centers, industrial development and institutions of higher learning. The common thread that binds all rural areas is their reliance, either current or historical, upon a resource-based economy. Whether you're talking about a Central Valley farming community or a quaint fishing village on the coast, rural communities today are struggling to survive as their economic base wanes. Changes in regulations, fluctuating markets and limited resource availability have made dependence on a resource-based economy a thing of the past. The loss of resource-based jobs points to a second common thread: rural economies must diversify in order to stay alive.

Rural Californians, wherever they live, struggle with many of the same underlying problems. Deteriorating and inadequate roads and highways limit transportation for residents and outsiders alike. In those areas where railways or small airports could fill the gaps, facilities are crumbling from a lack of funds. The transportation difficulties are echoed in communication shortfalls, with many areas coping with unreliable telephone service and no high-speed linkages in spite of today's interconnected, telecommunications age.

Rural residents deal daily with a shortage of social services. Healthcare is limited and often hard to access. Services such as mental health, drug and alcohol treatment, and other assistance programs are hard to deliver to small communities scattered throughout a remote region. Public safety services, such as police and fire protection, are also more difficult to provide to a widely dispersed population. Rural areas draw the short straw when it comes to funding for education and for infrastructure improvements. And because their population is small, the rural communities' cry for equity is seldom heard.

This report outlines the general plight of rural California and addresses the question of how to help rural economies reach economic viability. The Select Committee on Rural Economic Development chose the First Assembly District for its case study, believing the problems found there would be reflective of problems encountered throughout the rural parts of the State.

The Select Committee on Rural Economic Development

The Assembly Select Committee on Rural Economic Development is a special study committee made up of ten Assembly members representing both rural and urban areas of the state. The mixture of rural and urban representatives was the choice of Committee Chair Virginia Strom-Martin, who believes urban legislators have been too removed from the problems of rural Californians. With representation from all parts of the state, Chairwoman Strom-Martin felt she could raise the Legislature's awareness of rural issues and draw on the Committee's broad array of creative talents to find workable solutions.

Membership of the Committee includes:

Virginia Strom-Martin (D), *Chair*
Duncans Mills

Fred Aguiar (R)
Ontario

Roy Ashburn (R)
Bakersfield

Dennis Cardoza (D)
Merced

Grace Napolitano (D)
Norwalk

Charles Poochigian (R)
Fresno

Helen Thomson (D)
Davis

Tom Torlakson (D)
Martinez

Tom Woods (R)
Shasta

Roderick Wright (D)
Los Angeles

The Committee's charge is to examine

programs and policies that impact rural California and to recommend policy changes that will accelerate and sustain economic vitality in rural areas.

Chairperson Strom-Martin views economic revitalization as the primary goal of an official elected to represent a rural area.

"As the elected representative of the people of the First Assembly District, my number one task is to get the State to do whatever it can to support the economic revitalization of the communities from the Russian River to the Oregon border. Staggering unemployment and under-employment, disproportionate welfare caseloads, decimation of the economic base through changing corporate strategies, and economic isolation due to neglected infrastructure are the gross measures of the stagnating economies on the North Coast."¹

¹Chairwoman Virginia Strom-Martin, "Economic Development: Basic Principles, Observations, 1998 Strategy"

Through the Committee's 1997 efforts, Chairwoman Strom-Martin has outlined five key concerns that need to be addressed in the State's effort to bolster sagging rural economies:

1. Local leadership and collaboration are essential for sustainable economies to develop.
2. State assistance for infrastructure/technical development will open the door to economic opportunity and growth.
3. Streamlined state regulatory processes will help to ease the burden on all residents and eliminate duplication between agencies.
4. State coordination and consolidation of rural strategies will allow for clear policy directives and well-defined program guidelines.
5. Greater attention to rural needs by the legislature and the governor's office will result in more equitable treatment in policies, programs and funding opportunities.

These concerns will be discussed in detail in the concluding chapter of this report.

The Work of the Select Committee on Rural Economic Development

During the fall of 1997, the Committee held three fact-finding conferences in the First Assembly District communities of Eureka, Ukiah and Kelseyville. The conferences were organized with the help of locally-formed steering committees, who tailored each session to address the specific needs of their community. Each meeting provided community members with an opportunity to discuss economic development issues specific to their area and to comment on how current policies have succeeded or failed in promoting economic growth.

State officials representing the State's various economic development and community support programs were present at each of the conferences. Agencies represented included Trade and Commerce, Health and Welfare, Housing and Community Development, Employment Development, Emergency Services, California Highway Patrol, Department of Transportation, and the state Employment Training Panel. The meetings enabled officials to hear first-hand accounts of how agency programs are perceived at the local level, how bureaucratic procedures impact program participants, and to answer questions.

Origination and Report Methodology

Part I of this report will describe the economy of the First Assembly District through a literature search, examining recent trends in labor, business, and resource-based industries. A collection of reports from state agencies, local economic development groups and business organizations was utilized, providing the most recent data. All references are footnoted and a bibliography is attached.

The second part will describe the Committee's 1997 conferences, including meeting format, a list of local speakers and state officials, and the range of discussion topics. This section will recount ideas raised by the various participants, their concerns, and their recommendations.

Part III will summarize the common ideas that were raised in the three sessions, along with unique issues raised by the various community members. Drawing upon those themes, this chapter will outline the Committee's findings on these issues.

The final section will list recommendations for changes in government policies and laws to remedy problems outlined in the Committee's findings. The recommendations will address changes in budget priorities, the need for program reorganization, coordination between various levels of government programs, as well as improved channels for networking and communication between communities and government programs.



Evolution of the Rural Economy

The First Assembly District stretches along California's northern coastline, encompassing a narrow, rugged expanse of land that includes the counties of Del Norte, Humboldt, Mendocino, Lake, and the northern portion of Sonoma County. The district covers approximately 10,400 square miles, yet seldom extends more than 100 miles inland from the coast.

This rugged and rural part of California is known for its towering redwoods, rocky beaches and rolling farmland. Historically, the area flourished with its resource-based economy. Lumber barons carved the way for communities to grow, farms sprang up in the fertile lowlands, and fishermen reaped the plentiful ocean harvest. Today the region is no longer able to maintain a healthy economic balance from its resource-based industries. Unemployment and welfare rates are among the highest in the state, while job growth is all but stagnant.

The Dilemma of Being Rural

Rural areas have historically been defined as having resource-based economies.² In 1993 the Governor's Task Force on Rural Competitiveness found that all rural areas continue to rely on natural resources, whether for agriculture, tourism, or manufacturing.³ The California Rural Growth Strategy, released in 1997, uses a combination of characteristics to define "rural," including dependence on agri-business or resource extraction, a small population in a remote location, and an economy based on retail service and tourism.⁴

These characteristics aptly describe the First Assembly District, which by the turn of the century had established a thriving economy in spite of its remote location. Fur trapping and logging drew the early settlers in the mid-1800s. On the strength of the area's lumber industry, with its vast forests of ancient redwood, the region became known as the "Redwood Empire." Commercial fishermen drew from the ocean's seemingly endless supply of fish, shellfish and crab. The ease of shipping from Eureka and Crescent City to San Francisco created international trade opportunities, and the area's riches became widely known.

Today, the Redwood Empire's natural resources no longer seem inexhaustible. The lumber and fishing industries have faded, supporting only a remnant of the original numbers employed in those trades. The shipping industry that once provided an alternative to overland transport has diminished, yet the area's transportation network cannot fill the gap. An ongoing effort to upgrade the region's primary railroad is thwarted by frequent flood damage and inadequate funding. Transportation is critical to the revival of rural economies, yet the condition of California's rural highways is in decline.⁵

An additional challenge rural communities face is substandard housing. According to a 1995 report by the U.S. Department of Agriculture's Office of Rural Development Services, in a survey of 19 areas of potential need in rural communities, housing was ranked second in importance. Both the quality of available housing and affordability are significant problems.⁶ This is true of the First Assembly District counties as well, where inadequate housing is viewed as a problem for residents and also as a deterrent to new business development.

Access to health services is another critical need. Often the distance between communities limits patient access to doctors and hospital care. The lack of health facilities is made worse by the lack of public transportation and the difficulty of travel on rural roadways.⁷

² Senate Office of Research, *At the Crossroads: Invigorating California's Rural Economy*, February 1993

³ Governor's Task Force on Rural Competitiveness, *Rural California's Challenges and Opportunities*, 1993

⁴ Governor's Office of Intergovernmental Affairs, *California Rural Growth Strategy*, March 1997

⁵ USDA Rural Economic and Community Development Services, *Report Card for Rural California: A 1995 Quality of Life Benchmark*

⁶ *Ibid.*

⁷ *Ibid.*

The Problem With Jobs: Employment Trends

One of greatest changes in rural California has been the loss of timber-based employment.

According to a report by the U.S. Department of Agriculture, over 800 California lumber mills have shut down since

1950, leaving approximately 65 mills still operating. The list of California's most timber-dependent counties includes Mendocino, Lake, Humboldt and Del Norte, along with the inland counties of Siskiyou, Trinity, Shasta, Lassen, Tehama and Glenn. Overall timber production in these counties has fallen 52 percent since 1988, with reliance on publicly owned forests dropping from 33 percent to 9 percent over that period of time.⁸

The result is reflected in high unemployment rates. According to a 1998 report by the State Employment Development Department, the state's seasonally adjusted unemployment rate was 5.8 percent in May 1998. In contrast, the same report showed First Assembly District unemployment rates to be much higher, ranging from 6.7 percent in Humboldt County to 9.6 percent in Lake County. Sonoma County, with its strong wine industry and growing technology markets, had approximately 3.1 percent unemployment in May 1998.⁹

Specifically, this translates into large numbers of people without jobs. In the five north coast counties, unemployment rates are as follows:¹⁰

County	Total Workforce	Number Unemployed	Percentage of Workforce
Del Norte	10,340	950	9.2
Humboldt	61,900	4,100	6.7
Lake	22,970	2,200	9.6
Mendocino	41,930	3,110	7.4
Sonoma	243,400	7,500	3.1

National statistics show California's rural unemployment rates to have been consistently higher than the rest of the country since the 1980s. Fortunately, poverty rates in rural California are below those in other states, with no California county appearing on the list of 200 U.S. counties with the highest poverty rates.¹¹ Still, in 1989 the First Assembly District's four northern counties had poverty levels higher than the state average of 12.5 percent, with Del Norte County at 15.6 percent, Humboldt at 17.6 percent, Lake at 15.3 percent, and Mendocino at 14.2 percent.¹²

⁸ USDA Rural Development, A Report on the Northwest Economic Adjustment Initiative in California, Fall 1996

⁹ Employment Development Department, California's Unemployment Rate Drops to 5.8 Percent, News Release 98-33, June 12, 1998

¹⁰ Employment Development Department, Monthly Labor Force Data for Counties, May 1998 (Preliminary); 1997 Benchmark

¹¹ USDA Rural Economic and Community Development Services, Report Card for Rural California, 1995

¹² County of Humboldt, 1996 Overall Economic

Rural California's loss of resource-based income is best reflected by employment data collected by the State Employment Development Department. The following figures show a clear trend away from employment in resource-based jobs, and toward employment in the service sector.¹³

COUNTY	January '83	January '88	January '93	January '98
Lumber & Wood Products				
Del Norte	800	600	250	200
Humboldt	4,382	4,937	3,500	3,900
Lake	N/A	171	37	30
Mendocino	2,825	3,200	1,960	2,110
Sonoma	1,400	2,300	1,100	1,100
Farm Products				
Del Norte	400	450	330	310
Humboldt	700	1,000	700	900
Lake	600	625	660	730
Mendocino	1,375	1,250	1,220	1,710
Sonoma	4,500*	5,100*	5,200	5,500
*(Annual monthly average for farm sector employment in 1983 and 1988 provided by the Employment Development Department.)				
Services/Retail				
Del Norte	775	950	1,380	1,310
Humboldt	7,100	8,400	9,400	10,600
Lake	1,750	2,150	2,530	3,100
Mendocino	4,250	5,125	5,750	6,870
Sonoma	20,200	26,400	29,260	34,300
Government				
Del Norte	1,450	1,350	2,690	2,960
Humboldt	10,000	10,100	10,800	11,700
Lake	1,950	2,350	2,800	3,720
Mendocino	4,450	4,825	5,080	5,420
Sonoma	19,900	22,500	24,700	25,300

¹³ Employment Development Department, Labor Market Information, www.edd.cahwnet.gov, April 1998

In the commercial fishing industry, Humboldt and Del Norte counties appear hardest hit by changes in the industry, which include changing regulations and fewer fish to be caught. Data on employment numbers in the fishing industry is not so readily available, but may be reflected in the number of commercial fishing licenses issued by the Department of Fish and Game.¹⁴

COUNTY	1987	1990	1993	1996
Pacific Ocean 1-Day				
Del Norte	3,277	5,186	2,225	1,154
Humboldt	3,276	3,672	2,960	2,340
Lake (inland)				
Mendocino	2,444	4,479	3,859	3,656
Sonoma	2,110	5,564	6,766	5,409
Resident Annual Sportfishing				
Del Norte	5,691	6,279	4,541	4,708
Humboldt	22,069	18,695	15,986	15,768
Lake	12,228	12,121	10,785	9,015
Mendocino	12,474	12,325	10,457	10,349
Sonoma	34,451	31,373	27,972	29,619

Generally, the above employment figures reveal a trend away from resource-based jobs, and toward employment in the service and government sectors. The shift toward service sector jobs calls for a lower skill level and results in lower pay. Consequently, as rural Californians' median income drops, the number of residents seeking public assistance has risen.¹⁵

¹⁴ California Department of Fish and Game, License and Revenue Branch statistics, April 1998

¹⁵ Senate Office of Research, At the Crossroads: Invigorating California's Rural Economy, February 1993

Rural Communities: Building on the Strengths

While conditions for rural California may sound grim, the strength of this region lies in the residents' resourcefulness, creativity and inclination toward self-sufficiency. The 19th century reliance on natural resources allowed small, self-sufficient communities to grow and thrive. Today these towns are attractive to outsiders because of their low crime rates, healthy environments, affordable housing and a sense of community.¹⁶

Rural communities are learning to pool their resources and draw upon the wide-ranging talents of local residents to bring about economic revival. Communities are turning to trained economic development experts to guide them toward a new economic stability. Government-sponsored business development centers are scattered throughout rural California, augmenting the services of non-profit organizations and local business groups.

In the First Assembly District, many programs are already in place to help resolve the area's economic woes. According to Humboldt County's 1996 Overall Economic Development Plan, many of California's rural northern counties have well organized economic development efforts underway, helping businesses access innovative funding, providing marketing and development research and to coordinate economic development activities.¹⁷

Following is a partial listing by county of some of the economic development resources available on the North Coast.¹⁸

Del Norte County

Crescent City Business
Improvement District

Del Norte County Economic
Development Coordinator

Del Norte Economic Development
Commission

North Coast Small Business
Development Center

Redwood Economic
Development Institute

Rural Human Services

Lake County

Clearlake Oaks Business Association

Lake County Community
Development Services

Lake County Business and
Outreach Response Team

Lake County Career Center

Lake County Marketing Program

Lakeport Community Development
Department

¹⁶ Governor's Office of Intergovernmental Affairs, California Rural Growth Strategy, March 1997

¹⁷ County of Humboldt, 1996 Overall Economic Development Plan Annual Report

¹⁸ Pacific Bell telephone directories for Del Norte, Humboldt, Lake, Mendocino and

Humboldt County
Arcata Downtown Business District
Arcata Economic Development Corporation
Center for Environmental Economic Development
City of Eureka Office of Community Development
City of Eureka Enterprise Zone Information
Eureka Main Street
Fortuna Business Improvement District
Humboldt County Economic Development Corporation
Humboldt County Private Industry Council
North Coast Small Business Development Center
Orick Economic Development Corporation
Redwood Region Economic Development Commission

Mendocino County
City of Ukiah Economic Development Services
Economic Development & Financing Corporation
Mendocino Council of Governments
Mendocino County Employers Council
Mendocino County Community Development Commission
Mendocino Private Industry Council
West Company Small Business Development Center

Sonoma County
Cloverdale Economic Development Commission
Redwood Empire Small Business Development Center
Russian River Economic Development Task Force
Sebastopol Chamber of Commerce Economic Development Committee
Sebastopol New Business Outreach Committee
Sonoma County Economic Development Board



Rural Voices Tell The Story

The Select Committee on Rural Economic Development

(SCRED) used the First Assembly District for its case study of rural economic development needs.

The Committee held three conferences in the district during October and November of 1997. The conferences were designed to address the unique needs of each host community, and local participation was key to the conferences' success. Community steering committees were involved in the planning process for each event, and community members were the featured speakers. The conferences were attended by members of the Select Committee and by officials from a range of State agencies dealing with rural services and programs.

The State agency representatives who attended the conferences included:

Trade and Commerce Agency
Darlene Kammeyer

Health and Welfare
Fred Johnston, Bob Hotchkiss

SAFE-BIDCO
Paul Cormier

Employment Training Panel
Benny Ordiz

Housing and Community Development
Jack Mahan, Cynthia Cavanaugh

Employment Development Department
Brent Rutherford, Theresa Alvillar-Speake

Office of Emergency Services
Harvey Smith

Department of Social Services
Douglas Johnson

Environmental Protection Agency
Steven Boyd

Alcoholic Beverage Control
Dave Goss, Michael Naudon

The goal of the 1997 SCRED conferences was to allow community leaders to tell the Legislature what is needed from the State of California to help rural economies grow and prosper. Community presenters included representatives from local government, economic development groups, business leaders, educators, and representatives from interested community groups. A list of speakers is found with a summary of each conference in the following pages.

Over the course of the three hearings, the Committee heard first-hand accounts of how rural communities are both helped and hindered by program requirements and regulatory practices. In describing their successes and setbacks, the speakers provided suggestions and solutions for legislative action and regulatory reform. In the remainder of PART II you will find summaries of the key issues raised by the various participants at the three conferences.

- ▶ The Humboldt/Del Norte County Economic Development Conference was held in October and featured local experts providing background on the area's most pressing economic development concerns. Following brief speeches, the attendees broke into focus groups, which allowed for a free exchange of ideas on the various issues. Information rendered from this session has been organized by topic without specific attribution.
- ▶ The Mendocino County Economic Development Conference, held in November, featured a panel of local business and economic development experts presenting the county's economic development concerns. The format allowed for presentations by each panelist, followed by questions and comments from the audience on a range of economic development topics. Information rendered from this session has been organized by topic without specific attribution.
- ▶ The Lake County Economic Development Conference, held in Kelseyville in November, featured local economic development experts describing the county's success with business/government collaboration and community planning efforts. A more formal approach to this conference allowed each speaker time to address the various issues at length. Each speaker been identified and his or her comments summarized.

HUMBOLDT/DEL NORTE
RURAL ECONOMIC DEVELOPMENT

Conference Summary

*October 29, 1997
Adorni Recreation Center
Eureka, California*

Featured Speakers:

Art Bolli
Humboldt Municipal Water District

Ken Davlin
Oscar Larson and Associates Engineering

Dan Hauser
North Coast Railroad Authority

Dennis Hunter
Humboldt Bay Harbor, Recreation and
Conservation District

Joan Rainwater-Gish
Rainwater-Gish and Associates Business
Consulting

Dennis Leonardi
Humboldt Creamery Association

Ken Skaggs
Blue Lake Forest Products

Conference Format:

Following remarks from the speakers, participants at the Humboldt/Del Norte County Economic Development Conference broke into roundtable discussion groups on a range of topics critical to the area's ability to develop a sustainable, thriving economic base. Following are summaries of those discussions and, where appropriate, related findings:

Transportation

In reviewing the area's infrastructure needs, improvement of the various transportation systems was paramount to conference participants.

Funding for repairs and full operation of the North Coast Railroad must be made available. The railroad needs substantial repair along the Eel River Canyon. The railroad also faces a shortage of available cars, brought about by the merger of the Southern Pacific and Union railroads. Many area jobs depend on the railroad, either directly or indirectly, and the railroad serves as an important alternative for transporting freight in and out of the district.

Highway expansion is also necessary for the region's growth. The region's main highway, Highway 101, is mostly two lane, and must be expanded to four to improve travel between Eureka and San Francisco. Highway limitations prevent delivery services, such as United Parcel Service and Federal Express, from serving the county's more rural areas. Public transportation would facilitate tourism and improve residents' lives.

Air travel into Humboldt County is unreliable. The region must have reliable, permanent air transportation service. Humboldt County spent approximately \$100,000 to sue the federal government over the Federal Aviation Administration's (FAA) decision to remove airport staff, but lost in court. The expense of air travel into Humboldt County is prohibitive and limits delivery of services.

Humboldt Bay must be made passable for large ships. Humboldt Bay is the last undeveloped deep-water port in the nation. The State of California must influence the federal government to begin dredging the bay to make it navigable. Field's Landing in the south harbor must be included in dredging plans as well. The Port of Eureka could fill a unique need by providing bulk cargo shipment service. Eureka's port development plans must be carried out to make full use of the resource.

Communications

Other infrastructure needs discussed included improvements to the area's telephone and electrical service.

Much of the region is still served by outdated telecommunications equipment. Installation of fiberoptic lines and high-speed communications equipment is essential. Current service is often unreliable and Internet access requires a long-distance call. The limitations affect market access and opportunities for telemarketing and telecommunications.

Electrical service into Humboldt and Del Norte counties also needs to be upgraded. Humboldt County is considering generation of electricity for sale locally. Concerns exist that power deregulation will be a barrier.

Finding:

Infrastructure improvements and maintenance require State support.

Healthcare

Gaps in health services hurt Humboldt and Del Norte County residents and discourage growth. The area's residents have limited access to health maintenance organizations (HMOs) due to frozen enrollments and lack of available services. Non-profit HMO services are needed. Where there are large providers, health service from small, independent providers is inhibited.

The availability of healthcare providers is a major concern. Twenty-five percent of the area's healthcare dollars are spent outside the region. Services cannot be accessed without significant travel over long distances. The lack of public transportation affects access for low income residents without their own transportation.

The area would benefit from health education and prevention services. Factors such as diet and lifestyle should be addressed to improve health of rural residents. Local providers need stronger focus on preventative measures.

Finding:

Health services in rural areas need State support.

Business Development

Representatives from the local business community expressed concern that businesses are at risk due to a lack of capital. The small population base cannot support some businesses, forcing many to develop outside markets.

Expansion is made difficult because debt financing is hard to obtain. Local businesses need updated information on financing and services available to them; software is needed to control inventory. Local businesses are also impacted by distance from large markets, and weaknesses in the region's transportation and telecommunications infrastructure heighten this impact.

The region has many experts in economic development and government programs to provide business assistance. Programs like the Small Business Administration, Rural Development Authority, and the Community Development Block Grant Program provide direct service. Local entrepreneurs must draw upon this expertise to facilitate business development.

Venture capital is necessary for business development and growth. Small business ventures don't attract outside investors, yet the dollar amounts needed are too great for local sources. Many existing businesses have well-developed markets, but are unable to meet demands. Businesses in Humboldt and Del Norte lag behind current standards in equipment and manufacturing design. To compete on international markets, local facilities must be improved and updated.

The need for increased entrepreneurial training was addressed. The area's schools are not producing entrepreneurs or people with management skills. Local businesses need managers experienced in both small and large-scale growth.

Many businesses successfully expand, only to fail later because management could not sustain the larger-scale operations. Managers often lack management skills, an understanding of business trends and business planning processes. This lack of information about business procedures, innovations, and software often hinders success. Apprenticeship programs and "young entrepreneur" conferences could help with this problem; Humboldt State University and College of the Redwoods could develop programs to meet this need.

Finding:

Rural businesses need access to capital and business skills training programs.

Regulatory Relief

Regulations are often hard to work with and inflexible. Regulatory timelines are prohibitive, especially where agency jurisdictions overlap. Many Humboldt and Del Norte County projects are under Coastal Commission purview; that agency's review process takes from six to eight months. Competing counties approve projects in as few as five months. The Coastal Commission could be more responsive if a Humboldt County office were opened.

Local governments must streamline the approval process. Permit and review processes between the City, County and State agencies should be coordinated.

The State must support resource-based businesses, such as timber, biomass power, fisheries, agriculture and mineral extraction. The business/family inheritance tax burden must be relieved. Financial resources should be devoted to bolstering and supporting family farms.

The State and Federal governments must coordinate on salmon recovery rules. Harvest rules must be strictly enforced, with penalties returned to the region for restoration activities. Timber management rules should be customized for small owner/operators. Local governments and businesses need better information regarding requirements.

Finding

The regulatory process needs to be flexible to accommodate small communities and to coordinate with local procedures.

Government Coordination

Local governments must coordinate their efforts and work together to promote economic viability. The City of Eureka must complete its waterfront development plans. Additional staff and time will be necessary for comprehensive planning efforts.

Long-range planning that addresses community goals is needed. Regional planning is viewed as key to the area's economic success. Cooperation between business and governments must be fostered; community meetings will help establish open lines of communication.

The community planning process must focus on maintaining the area's quality of life. Homegrown businesses are an important factor. The planning process must target businesses the local community can support as well as benefit from. A community plan should provide a way to restore the resource-based economy while also protecting it.

Finding:

Communities need a Master Plan for economic development.

Business Promotion

Communities must have well-defined marketing goals in order to promote the area's unique attributes to the world. The region's geographic isolation and transportation barriers must be overcome through expanded outreach efforts and better use of the press and media. Marketing efforts must focus on special interest groups, such as targeting river rafters through outdoor publications. Work must be done to bring the cruise ship and tourist train industries into the region.

Humboldt and Del Norte counties need a regional marketing approach. Area communities must overcome their competitive traditions and focus on the benefits of cooperation. Aggressive tactics are needed (guerilla marketing) to spread the word. Regional organizations, such as the California Division of Tourism, can help with marketing. Attributes to be promoted include the region's environmental features, the availability of land and development opportunities, and the region's unique

characteristics in relation to the rest of California.

Marketing efforts must promote the diverse, creative culture of the North Coast. The area's arts and cultural attributes must be featured and an arts/cultural center must be developed. Marketing should include event promotion, tours, galleries, arts trails and opportunities for visitor participation.

Local resources exist for marketing development and should be better utilized. The Small Business Administration's SCORE (Service Corps of Retired Executives) volunteers are available to provide assistance and advice. The business community needs to allow for transition time as the region's marketing plan develops, in preparation for expanded opportunities. The community must develop a source of seed money and on-going funding for the marketing effort. Training opportunities for marketing efforts would also be helpful.

Finding:

Regional marketing plans are needed to promote rural businesses.

MENDOCINO
RURAL ECONOMIC DEVELOPMENT

Conference Summary

*November 13, 1997
Ukiah Valley Conference Center
Ukiah, California*

Featured Speakers:

Mayor Sheridan Malone
City of Ukiah

Supervisor John Pinches
Mendocino County

Supervisor Charles Peterson
Mendocino County

Dave Nelson
North Coast Railroad Authority

Tom MonPere
Rural Community Development
Housing Corporation

Allison Glassey
Mendocino County Department of
Social Services

Art Harwood
Harwood Industries

Bill Crawford
Mendocino County Winegrowers Alliance

Lynn Kennelly
Mendocino County Tourism Board

John Chocholak
Ukiah High School

Jim Mayfield
Ukiah Chamber of Commerce

Helen Sizemore
Real Goods

Nancy Fiers
Mountain Maples

John Henderson
Maverick Enterprises

Meeting Format:

The Mendocino County Economic Development Conference featured a panel of local business and economic development experts presenting the county's economic development concerns. The format allowed for presentations by each panelist, followed by questions and comments from the audience on a range of economic development topics. Following are summaries of each topic and, where appropriate, related findings:

Mendocino County's
Economic History

Mendocino County depended upon timber, ranching and pear farming through the 1960s. The area's eight Indian nations merged into one at that time. The regional economy changed as cattle production moved south to Mexico and timber harvests plummeted. The CalTrans maintenance yard in Covelo closed, reducing property values.

The coastal region of the county historically was home to a diverse ethnic population, including native Pomo Indians, Hispanics, Swiss and Italians. The area's isolation and beauty has created high property values, but the fishing industry that once sustained the economy is gone. Today the area's most lucrative business venture is the illegal cultivation of marijuana.

Transportation

Financing for the North Coast Railroad is important to Mendocino County. The railroad transports lumber, gravel and other local products for market. Industries such as Masonite depend on the railroad for transportation of specialty products, such as the heated glue used in production of particleboard.

Rail transport reduces the pressure on county highways. The railroad has the potential to carry 5,000 to 6,000 carloads of freight annually, alleviating the traffic from about 16,000 trucks from Highway 101. When the railroad is out of service, highway casualties increase fourfold. Development of the railroad would enhance tourism and passenger travel into and out of the region. CalTrans' funding for asphalt paving should be utilized for railroad improvements. The railroad is in disrepair and repairs would ensure its safe operations.

Public transportation must also be developed to serve the entire county. Current public transportation service is limited, reaching only portions of the county with a restrictive schedule. Expanded services would provide access to job training programs, employment opportunities, as well as social service programs.

Finding:

Local transportation improvements need State support.

Housing Stocks

Housing in Mendocino County must be improved and be made affordable. Current housing costs are high, while incomes are low. State resources must be coordinated to improve local housing stocks, including the Community Development Block Grant program and other Housing and Community Development Department programs. Programs should conduct better evaluations of existing homes, replacing those in need of demolition and rehabilitating those that should be saved. Many existing homes should be preserved.

Residential planning should consider location and travel time in relation to existing and potential employment centers. Job creation is crucial to support better quality homes. Poor housing discourages new employers from moving into the area.

Finding:

Rural areas need stronger, better-coordinated housing programs.

Communications Equipment

Local telephone lines and reliability of telephone service need to be improved. The current outdated equipment prevents development of hi-tech businesses. Equipment must be able to support high-speed data transmission. Fiberoptic technology would allow for telecommuting.

Finding:

Rural areas need upgraded communications equipment.

Employment Opportunities

Improving job opportunities in the county is essential. Many local jobs are seasonal and are low paying, come without benefits and rely on unskilled workers.

Mendocino County's welfare caseload is higher than the state average, ranking 15th in the state. Underemployed workers are dependent upon MediCal and Food Stamps to support their families. Eighty percent of the area's jobs are in small business and those businesses are unable to expand. With the Welfare-to-Work program putting new job seekers into the pool, area communities are unable to meet their employment needs.

Programs providing job training and education must be expanded. The local workforce must be better prepared. Hi-tech training would improve job-finding opportunities. Training must focus on producing finished products from raw materials.

Vocational Education programs could fill the gap, but State support for these Vocational Education and Regional Occupational Programs (ROP) has fallen short. Programs are losing teachers, thus losing the ability to train young people in the areas of drafting, welding, wood-working, and machining. Stronger support must be given to these programs, starting with high school job training opportunities.

Finding:

Job creation and job training efforts need State support.

Social Services

The area's social service structure is weak and needs strengthening. Services such as mental health, drug and alcohol programs, and social support networks must be improved and expanded throughout the county. Facilities must be more accessible to residents of outlying communities.

Finding:

Rural areas need a stronger social service network.

Regulatory Restrictions

Regulatory oversight must be transferred to the local level. Regulations must be coordinated to help businesses comply. The current regulatory process involves overlap and too many hurdles involving different bureaucracies. Laws imposing regulations should consider the unique circumstances of small businesses in rural areas, tailoring requirements to appropriate levels for their situations. Requirements, such as workplace safety plans, should be scaled down to fit small businesses.

Businesses must have greater flexibility in order to access capital. The State should support small business assistance programs. A streamlined application process would help small businesses apply for funding; many are unable to apply due to restrictive timelines or complicated application requirements. Funding opportunities are not well publicized. A format must be developed to advertise State programs, making it

easier for businesses to learn about funding opportunities. Funds should be allocated at the local level and not on a population basis. The State should fund all regulatory requirements. Local revenues, such as the Educational Revenue Augmentation Fund monies shifted from local governments to the State, should remain in local coffers.

The Community Development Block Grant process must be changed to eliminate job creation requirements. The program should offer technical assistance to applicants and should reduce paperwork. Funding should also be decategorized.

Finding:

Small, rural businesses need regulatory flexibility.

Project Facilitation

Proposed business development projects must receive stronger support. The appeals process must be made more difficult; opponents must face consequences for holding-up projects. Requirements should be eased and technical assistance made available for small volunteer groups undertaking projects.

Finding:

New projects would benefit from State support.

LAKE COUNTY
RURAL ECONOMIC DEVELOPMENT

Conference Summary

*November 14, 1997
Konocti Harbor Resort and Spa
Kelseyville, California*

Featured Speakers:

Phil Box
Mount St. Helena Brewery

Tony Camaratta
Ti-Mail, Inc.

Sharon Carini
Lake County Career Center

Mark Dellinger
Lake County Special Districts

Chuck Doty
Lake County Business Outreach and
Response Team

Dave Geck
Lake County Office of Education

Shannon Gunnier
CPI Marketing

Richard Knoll
Clearlake Community Development Director

Carl Larson, Chairman
Lake County Board of Supervisors

Jeff Lucas
Economic Development Specialist

Jillian Maggid
Lake County Arts Council

Frank McMichaels
Parnum Paving Quarry

Donna Peterson
Lake County Farm Bureau

Al Petrie
Clearlake City Administrator

Wanda Quitiquit
Robinson Rancheria Bingo and Casino

Jeff Smith
Clearlake City Council

John Tegtmeier
Lakeport Theaters/Cinema 5 and Soper Reese
Community Theatre

Bud Van Lente, Mayor
City of Lakeport

Conference Format:

The Lake County Economic Development Conference featured local economic development experts speaking about the county's success with business/government collaboration and community planning efforts. A more formal approach to this conference allowed each speaker to address his or her subject area at length. Following is a summary of selected speakers' comments.

Jeff Lucas
Community Development Services

Provided background on Lake County. The county's population of 56,000 is plagued by high unemployment and businesses struggle to stay afloat. The county is currently coordinating a Community Revitalization Effort. State assistance is needed for infrastructure improvements, such as sewage treatment, water systems and roads. Job training, educational opportunities and workforce preparation are needed. Business ventures lack financing to fill gaps or to address high-risk needs. Clearlake must be cleared of algae bloom to revitalize the lake's recreational potential.

Richard Knoll
*City of Lakeport Community
Development Director*

Reported on the city's economic development study. The study identified a number of development needs, including stimulation of business growth, more job opportunities, and enhancement of the community's fiscal base.

The need for infrastructure financing is clear. Possible options for funding infrastructure improvements are developer fees, community assessments, government grants or loans. Lakeport has acquired infrastructure funds through the U.S. Department of Agriculture Rural Development office to expand the city wastewater system. Funds for further expansion are needed.

Road maintenance is a significant issue in Lakeport. With a population of 4,536, the city covers 2.5 square miles and serves as the county seat. The commercial district draws between 10,000 and 12,000 vehicles daily, which increases to 15,000 with tourist traffic. Rural areas receive money for public transportation that might be better used on road maintenance. Lake is considered a "donor county," contributing more in gas taxes than is returned to it. An Enterprise Fund for local street/road work could be a solution.

The City of Lakeport is hard hit by state take-backs. The loss of revenues relates directly to a loss of economic development competitiveness. The community needs development funds to be competi-

tive. The Legislature should support CDBG program's Economic Development Allocation and Enterprise Fund, which provided Lakeport with \$1 million for a City Business Loan program. The County has benefited from a number of programs, including the Main Street Demonstration Program and a Boating and Waterways grant program.

To help rural communities become more competitive, Trade and Commerce's Infrastructure Bank needs priority funding for rural areas. A revolving loan fund for infrastructure financing would be helpful. Stumbling blocks, such as the Davis-Bacon Act wage-rate issues and reporting requirements should be removed. USDA Rural Development Intermediary Relending Program is good model.

State programs must help rural communities succeed. The payback requirements of the Rural Economic Development Infrastructure Financing Program should be more flexible, making funds available on a per-project basis. Current payback requirements force communities to utilize a tax increment, enterprise fund, or lease obligations and undergo Standard & Poors ratings. Rural communities should be able to secure loans through sales tax revenue or developer paybacks. Cash match requirements must be accessible to rural communities.

New economic development incentives could provide special designations for rural communities that offer business relocation assistance, targeted industry tax credits, business expansion tax credits, job creation tax credits, rural

area recruitment assistance, industrial development funds, or property tax abatement.

Mark Dellinger
Lake County Special Districts Energy and Resource Manager

Spoke on the success of the Geysers ReInjection Project, which addresses the problems of Clearlake's overburdened wastewater facilities and steamfield decline at Geysers Geothermal Complex, the world's largest geothermal complex with capacity to produce 13-15 megawatts (MW) of power. A 1987 steamfield decline resulted in revenue losses which prompted the reinjection proposal.

Reinjection will recover 50-70 MW capacity and modification of Clearlake sewage treatment plant is expected to be completed within one year. The project resolves the community's long-term sewage disposal needs, is economical and preserves jobs, will revitalize the area's economy and is environmentally sound. The Geysers project has also resulted in a partnership with Yolo County to prevent conflicts over Cache creek. Funding partnerships have been established between a number of power generating companies, government agencies and local ratepayer investments. The project was developed through local interest, with community meetings allowing participants to work through their differences in order to reach a common goal.

The project's second phase will address sewage treatment in northern Lake

County, where agricultural reuse is under consideration. Plans for wetlands construction, agricultural reuse and transport to Geysers ReInjection facility will require state and federal resources.

Dave Geck
Director of Student Services, Lake County Office of Education

Described the role of Regional Occupational Programs (ROP) and School-to-Career training. Programs need to serve local labor market needs and workforce development in response to Welfare-to-Work demands. CalWorks requirements and Welfare Reform don't allocate enough funding to develop educational programs. Community colleges need support for flexibility with administrative dollars.

Program funding should be allocated differently; current end-of-the year funding based on past attendance prevents program flexibility and responsiveness. Legislative support is needed for program development funding, and for funding accessibility during the year of program implementation.

Literacy is a big issue in Lake County – one out of three individuals has no High School diploma. A block grant program, such as was developed through tobacco funding, could address this problem. Development of distance learning, over cable television and digital satellite, is underway through the County Office of Education and Mendocino Community College. Programs will serve short-term educational needs and on-site training.

Chuck Doty
*Lake County Business and Outreach
Response Team*

Discussed problems local businesses had encountered with the practices of the State Employment Training Panel (ETP), including a six-month sign-up process and much red-tape for a business to receive funds for employee training. Changing rules, lack of continuity in staffing and mis-communication added to the confusion, preventing the employer from accessing part of the funding awarded. ETP makes no provisions for retroactive payments to employers conducting training during the application process, even though most small, rural employers have to begin the training process immediately, being dependent upon the trainees during the first months of business operations. An additional problem with ETP was a lack of communication regarding the wage requirements once an employee had completed training, which caused the employer to lose reimbursement funds because his employees fell just below the ETP's wage requirement. ETP staff had failed to communicate that benefits could be included in the wage formula, and the employer learned too late that he had been eligible for those training funds. Mr. Doty said he had worked closely with and was grateful for the help of the local ETP representative and from ETP Assistant Administrator James Bratt.

Mr. Doty offered a detailed plan for rural incentive program to give rural counties an equal chance at economic development opportunities. A special "non-metropolitan" designation, based on

demographics, labor data and income information could afford rural communities access to special tax credits. Businesses relocating to these areas could benefit from a relocation assistance program and targeted industries could receive special tax incentives. Rural communities would also benefit from a range of tax credit programs for business retention and expansion, job creation and special financing programs for industrial recruitment and development.

Sharon Carini
Lake County Career Center

Described efforts underway to form partnerships and to eliminate overlap between agencies providing employment services. New job-seekers are entering the market, making the demand for jobs even greater in a county with over 10 percent unemployment.

The job training focus must be on practical workforce development. Large business/industrial development is not likely in the region. Most employment will be found in the existing business community, where employers have fewer than 10 employees and jobs are created "one job at a time." Welfare to Work program will move 320 persons into the workforce every month. Support and access to grant funding is critical. Currently fund allocation is based on service delivery areas, with money going to Private Industry Councils (PICs) and to the Job Training Partnership. Performance-based funding standards are good and allow flexibility to develop programs appropriate to local labor market needs.

Homestake Mine is a local success story in job placement and retention. The business released 350 employees over a period of time. Some re-trained to carry out site restoration work; others received assistance from Private Industry Council, Employment Development Department and the GAIN program. A one-stop center was set up at Lake County Career Center to offer networking, resume and referral service. Approximately 80 percent were successfully relocated in new jobs or job training programs.

Frank McMichaels
Parum Paving

Discussed his firm's success in accessing permit assistance through USDA's Rural Development division. The company possessed high quality rock that met CalTrans' standards and was not located in a streambed. The quarry location offered a stable source of rock and long-term production, resulting in secure employment offering benefits and union protection for workers. The plant would also bring money into Lake County, instead of sending dollars out.

The quarry permit application was for 35 out of 1,700 acres. The application was coordinated with the local Air Quality Management District and the federal Division of Mines and Geology. Regulatory requirements were addressed early; a Department of Fish and Game survey for rare and endangered species and a survey for wildlife use were completed. The six rare plant species identified were found in serpentine soils not located in the

project site. All permits were completed in two years.

Tony Camarata
Ti-Mail Director of Personnel

Described how businesses located in more populated areas are drawn to rural communities. Ti-Mail, formerly of Vacaville, began considering a move in 1995. With assistance from Community Development Services, Ti-Mail found an 11,000-square-foot facility in Lower Lake. Prospects from business growth appear very positive, and the company is working toward ventures in exports, collaboration with the U.S. Postal Services, and expanding its service contacts.

Phil Box
St. Helena Brewing Company

Related his business' success in locating a site in Middletown. Community Development Services facilitated the move, and the firm received funding for business retention and expansion from local banks. The current facility is a former warehouse. The St. Helena Brewing Company has expanded production and is working towards its own bottling line.

John Tegtmeier
Lakeport Theatres

Described the history of local theaters in Lake County, which dates back to the 1927 opening of the Orpheum Theater in Lakeport. Tegtmeier first met with Karen Mackey in February 1996 and began the year-long process of developing his business. The venture received funding from the Bank of Lake County. The current multi-plex facility drew over 10,000 people on the first weekend and staffing has increased from six to about 24 employees. The business' sales tax contribution has doubled in that time, and Tegtmeier hopes to replicate the success in the community of Paradise.

Jill Maggid
Lake County Arts Council

Administers the Soper Reese Community Theater, which produces five major events annually, features an art gallery, and provides low-cost liability insurance for other arts groups. The Council is currently purchasing the Twin Theater Building and is three-fourths of the way to full funding for the building's restoration. The theater was owned and operated by Jim Soper and Bob Reese; Mr. Soper contributed \$300,000 of the building's appraised value of \$425,000. The project is a positive example of adaptive re-use of a building. 150 volunteers have worked to demolish a bearing wall and install new electrical and sound systems at the theater. Many components were donated by local groups, including area schools, which will use the theater for class gatherings

and productions. The facility will be ready to open by mid-1998.

Cultural tourism is a fast-growing tour industry sector, with 74% of tourists basing vacation choices on cultural attributes.

Wanda Quitiquit
Robinson Rancheria

Explained that three of Lake County's five tribes have gaming facilities. Before 1992 these groups had no large-scale source of income. The casinos have generated \$3.4 million in revenues since that time. The casinos are the largest employers in the county, with two facilities operating 24 hours a day, 7 days a week. Robinson Rancheria employs 200 people with benefits. The workforce is diverse, with Indians holding management positions and 14% of the staff being over age 55. Robinson Rancheria is working collaboratively with the community, committing one percent of its revenues to community endeavors. The tribe has developed a cultural exchange with South Africa. The casino industry has moved residents off of welfare, provided a trust fund for minors, established a scholarship program, and allowed for new land purchases. The community has acquired a \$450,000 Community Development Block Grant for a multi-purpose facility for youth. They are currently in the process of seeking funds for a Sustainable Culture Building to link with County revitalization efforts.

Sharon Gunner
CPI Marketing

Discussed the Highway 20/29 Community Revitalization Project, supported by a U.S. Forest Service marketing grant. The subject area is partially blighted. A needs assessment to determine what business owners need to succeed is being conducted. CPI helps individual business owners and groups. Examples include signage, assistance with information technology and marketing practices. The program uses a self-help approach. Her business is also involved in local business retention efforts.

Greg Bennet
Konocti Harbor Resort and Spa

Described the renovation of the resort, which took place in 1990-1992. Business improved after renovation was complete, with revenues increasing by \$1 million. The remodeling included hotel facilities, a 600-seat concert facility, and a 4,000-seat amphitheater, which has resulted in Konocti Resort being chosen by "Performance Magazine" as the top rated venue for two years running. The facility has added a nightclub with a stepped-up marketing approach. The facility is subject of a ten-minute video, an Internet website, and a brochure produced by the Advisory Commission on Tourism. The resort's event producer, "Konocti Presents," will be sponsoring events in other locations soon.



Getting Down to Basics

Summary

The common problems encountered in rural economic development efforts were made clear by the Committee's 1997 hearings. While each community had a number of unique circumstances to deal with, the problems generally pointed toward a common set of solutions. The Committee found the issues of infrastructure development, job creation and job training, regulatory relief, access to business capital, and community planning to be crucial to ensuring rural economic development success.

Infrastructure Development

The need for infrastructure development was predominant at the Committee's hearings. Following years of state cutbacks and local shortfalls, rural infrastructure is on its last legs. The Committee heard a unified call for the State to support and fund a broad range of infrastructure projects.

Most specifically, transportation needs are among the most pressing infrastructure issues in rural communities. Rural streets and highways are crumbling from lack of funds to support proper maintenance and repair. Small cities with high traffic flows do not have the revenues to keep up with maintenance costs. Many rural highways are still two-lane, yet badly-needed expansion projects cannot be pursued without adequate funding.

In areas where transportation alternatives exist, funds are not available to develop them fully. Funding for rail services could lighten loads on inadequate highways without the expense of highway expansion projects. In the remote First Assembly District, rail travel could open opportunities for expanded tourism, local passenger travel and freight transport.

The First Assembly District has the unique attribute of a deep-water harbor. This feature could open the region international trade opportunities, as well as to national trade opportunities and tourism. Funding to reopen Humboldt Bay to deep-water shipping must be

made available, allowing the federal dredging project to move forward.

Rural water and sewer systems are in a poor state of repair. Rural residents cannot bear the financial burden of further assessments or tax levies, so systems continue to decline. Many rural areas are served by outdated, unreliable telephone service and communications equipment, thus limiting community access to new, high technology employment opportunities and information. Electrical service in rural areas is also often outdated and unreliable, as well as expensive.

Other critical infrastructure needs include healthcare and social service delivery. Facilities based in central locations are difficult for rural residents to access, and travel time and poor communications equipment place many residents at even greater risk. Rural areas, with their low wage base and limited financial resources often have difficulty keeping healthcare providers, and a patchwork of social services often fails to serve those who need it most. Improved housing is another critical need in rural areas. Poor quality housing discourages business development and community growth. Programs to improve housing stocks must be coordinated to better serve rural housing needs, offering thorough evaluation of existing housing stocks and better planning of new residential developments.

Summary of Findings:

Infrastructure improvements are a critical need in rural areas.

Job Creation

Job creation is another critical need in rural areas. As rural economies are forced to shift away from resource-based employment, new enterprises must be put into place. Rural areas need greater opportunities for job training with a focus on highly skilled, well-paying jobs. Vocational education programs could serve that need, but they are underfunded and fall low on the education program priority list.

Developing better business skills was another often-heard topic at the hearings. Current educational programs fail to teach students the entrepreneurial skills they need to start a successful business venture. Often business managers lack skills to adequately develop marketing plans or growth strategies, with many small businesses failing because they are unable to handle a business once it successfully expands.

Job creation involves attracting new businesses, as well as expanding existing ones. Rural areas must work to attract appropriate businesses that the community can and will support. New employers must fit the local labor market as well, and with better training opportunities, better employment opportunities will follow.

Summary of Findings:

Job creation and job training efforts need support from the State.

Regulatory Flexibility

Rural communities need more flexibility from regulators at all levels of government. State regulators should tailor requirements to fit rural businesses, which usually have few employees and fewer resources to devote to meeting requirements. Limited regulatory timelines and complicated paperwork make it difficult for rural businesses to comply. Agency officials must be clear in explaining requirements, and continuity of agency staff is helpful to businesses attempting to comply.

Rural businesses want better coordination between all levels of regulation, from local government to federal agency requirements. Coordinating the various application processes and timelines would save businesses time and money, and would eliminate duplicative steps. Project review procedures must also be coordinated and streamlined so proposed projects will be drawn to the area and have a fair chance at being approved.

Summary of Findings:

Regulatory processes need flexibility to respond to small businesses' needs.

Access to Capital

Rural businesses have a difficult time accessing capital. Numerous business assistance programs exist through government agencies and non-profit networks, but difficult paperwork and strict timelines hinder the small business-person's access. Rural funding needs are often too small to get attention from large funding sources, yet are still too great for local sources. Small businesses need greater access to start-up funding, venture capital and gap financing.

Rural communities would like to be funded at the same rate as urban communities, believing that population-based formulas favor urban communities that already have an advantage due to their access to alternative resources. Special rural incentive programs would promote expansion of existing businesses and encourage new businesses to move into rural areas.

Rural business owners don't feel they are well-informed about funding programs, often receiving information too late to apply, if at all. Rural businesses would benefit from up-to-date information on programs, technology, and marketing approaches.

Summary of Findings:

Programs that finance small business development need State support.

Community Planning

Communities with master plans are better equipped to access funding and to help businesses succeed. Community planning allows for open communication between business and government and helps to develop a common vision for a community's future. Community planning supports businesses that promote the common vision, focusing on ventures that the community is able and willing to support.

Community planning also affords the opportunity for cooperative marketing, promoting an area for its unique regional attributes. The cooperative approach allows businesses to pool their resources to reach a broader audience.

Local governments must facilitate the community planning process, allowing staff time and resources to see the process succeed.

Summary of Findings:

Community planning efforts need State support.



Recommendations:
**The
State Can
Make a
Difference**

“Recognizing that the success of rural communities will ultimately rest with the rural areas themselves, there is nonetheless an appropriate role for the State to play in supporting the efforts of rural areas. Grants and technical assistance must be structured to support local efforts and address locally established priorities, not impose requirements and mandates for a predetermined vision. The State must ensure that rural areas have access to information, technology, health care and education that is comparable to every

Summary

The mandate of the Select Committee on Rural Economic Development is to gather information on how State programs and policies impact rural economies, and to recommend changes to encourage and enhance economic growth. The Committee’s findings, garnered by listening to rural business and community leaders, are the basis of the following recommendations. These recommendations include proposals for regulatory changes, legislative action, leadership efforts, and fund allocations.

As established by the Committee’s work, it is clear that much more is needed to improve economic conditions for rural areas. The following recommendations are listed in three distinct categories. Category 1 includes recommendations having direct impact on economic and business development efforts. Category 2 offers recommendations for infrastructure and job training. Category 3 includes recommendations pertaining to health and social services.

¹⁹ Governor’s Office of Intergovernmental Affairs, California Rural Growth Strategy,

Category 1

Finding:

Small businesses need financing to develop and grow.

Recommendation: The State must make small business assistance programs easier to access, with simplified paperwork and more flexible timelines. New programs must be developed to offer start-up funding and venture capital.

Recommendation: The State must develop a standardized formula to fund rural programs and projects at a rate equivalent to urban programs and projects.

Recommendation: State funding opportunities must be better advertised. The State must develop a highly visible, easily accessible central clearinghouse to disseminate program information, marketing ideas and new business approaches.

Recommendation: The State must create a special “rural” designation based on demographics, labor and income data to provide tax credits to rural communities.

Finding:

Regulatory processes need to be further streamlined.

Recommendation: The State must review all proposed regulations and legislation to determine their impacts on rural areas.

Recommendation: The State must allow flexibility when regulating rural businesses. Regulations must be tailored to fit rural businesses, with appropriately scaled-back requirements to accommodate smaller establishments. The State must make technical assistance available to businesses attempting to comply with paperwork and other requirements. Paperwork must be simplified and timelines made flexible to facilitate compliance.

(Note: A new Internet service has been implemented for businesses seeking information on State environmental permits. The California Government On-line to Desktops (CalGOLD) service can be accessed at www.calgold.ca.gov.)

Recommendation: The State must work with other levels of government to coordinate regulatory processes. State agency time lines must be made compatible with corresponding regulators’ time lines.

Recommendation: The State must coordinate processes with local governments in reviewing proposed business development projects. The State must develop compatible project review requirements and timelines that allow rural areas to be competitive with other areas.

Finding:

Job creation efforts require state support.

Recommendation: The State must develop entrepreneurial training and business skills programs to serve rural communities. The State must support new entrepreneurs in their efforts to create new, start-up businesses through providing seed money, small business incubator programs, and tax incentives.

Recommendation: The State must promote job creation through targeted business expansion and attraction efforts. Tax incentives should be created to encourage job creation, development of new businesses and business expansion.

Recommendation: The State should offer relocation tax credits to businesses moving into rural communities, and those communities should have access to tax credits for business expansion and retention, job creation and industrial development.

Finding:

Community planning efforts need State support.

Recommendation: The State must promote regional plans for economic development and for marketing. The State must provide technical assistance with regional planning efforts.

Recommendation: The State must provide technical assistance to advance community planning efforts. The state should offer grant assistance to help fund community planner and grant writer positions within local governments. The State must help local governments tap into existing resources to help them develop community plans.

Category 2

Finding:

Infrastructure development requires support from the State.

Recommendation: The Trade and Commerce Agency Infrastructure Bank must be funded, with express priority given to rural infrastructure projects to upgrade systems that impact public health and welfare, including water, sewage disposal, communications systems, and rural roads. Matching fund requirements for such projects must be waived or adjusted to make funds accessible to rural areas. (Note: As of July 1, the 1998-99 State Budget Act contained \$50 million to fund the Trade and Commerce Agency Infrastructure Bank. This amount is subject to change.)

Recommendation: The State should develop a revolving infrastructure loan fund, modeled on the U.S. Department of Agriculture's Intermediary Relending Program. Payback requirements for infrastructure loans should be made more flexible to accommodate rural applicants needs.

Recommendation: The State must ensure that rural areas receive communications and electrical services equivalent to that available to the rest of the state. The State must protect rural residents' access to up-to-date services by controlling utility rates to rural customers.

Recommendation: Local tax revenues must be returned to local governments for county and municipal transportation projects. Communities must have discretion over public transit funding, allowing them to utilize funds to best serve local needs.

Recommendation: CalTrans must be required to support and promote alternatives to highway travel, including rail travel. Regional passenger and freight rail services must be supported to achieve self-sufficiency and profitability.

Recommendation: The State must promote development of unique natural attributes that could enhance rural economic development. Such attributes as ports, harbors, bays, and navigable rivers must be developed to meet local needs.

Finding:

The State must support job training efforts.

Recommendation: The State must increase its support for vocational education programs at all levels, including community college and high school. Incentives must be developed to increase the number of vocational education instructors within the community college system. Vocational educational programs must be broadened to offer preparation for well-paying, highly skilled jobs. State funding for vocational education must allow for program flexibility. *(Note: State Schools Superintendent Delaine Eastin has convened a task force to review the need for changes in our vocational education services and to promote instructor recruitment.)*

Recommendation: The State should develop a block grant program to fund rural literacy programs that enhance employment opportunities. Distance learning, over cable television and satellite, could be utilized to serve remote program participants from a single learning center.

Recommendation: Programs such as the Job Training Partnership Act, Regional Occupational Programs and CalWorks must be expanded to meet the needs of rural communities.

Category 3

Finding:

Healthy economies require access to healthcare and social services.

Recommendation: **The State must offer incentives that encourage medical service providers to serve rural areas. The State must fund mobile clinics and tele-medicine services to reach the most remote residents on a regular basis.**

Recommendation: **The State must support a stronger fabric of social services in rural areas, offering mental health, drug, and alcohol abuse services to outlying communities through traveling clinics or part-time satellite offices.**



Where
Do We
Go From
Here?

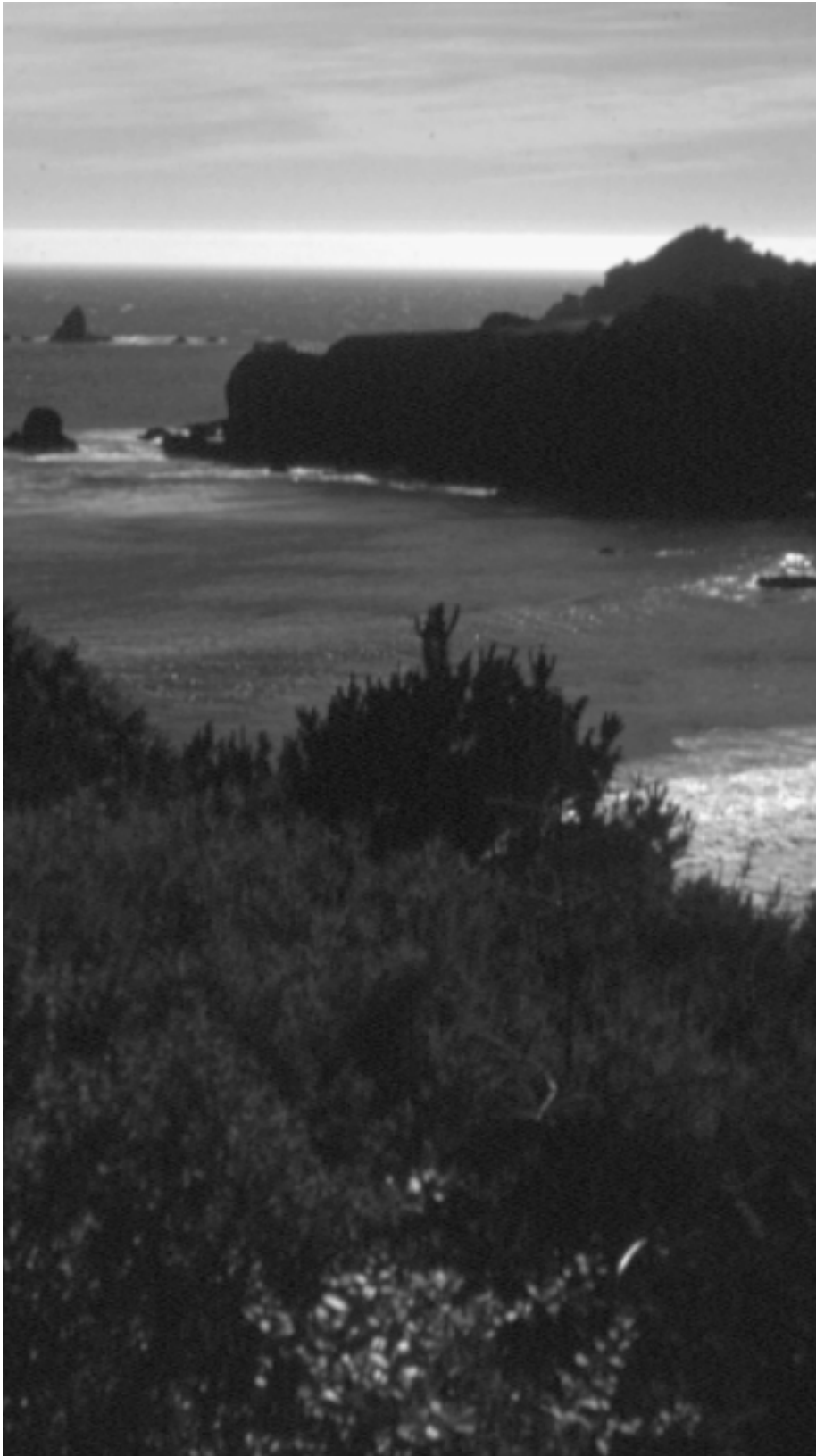
This report reflects only the first step in the Select Committee on Rural findings and recommendations outlined here lay the groundwork for the next stages of the process. The options ahead include specific policy recommendations and legislative action, as well as leadership opportunities. Follow-up hearings will likely focus on the larger, more difficult issues, such as rural telephone and electrical service, more equitable distribution of state resources for rural economies, support for infrastructure and transportation, and the like.

In response to the Select Committee's hearings, Assemblymember Strom-Martin has taken a number of legislative actions. Through the 1998-99 budget process, she has requested funding for the dredging of Humboldt Bay and for the re-opening of a North Coast office of the Coastal Commission. Drawing upon conference participants' suggestions, she requested that the Department of Housing and Community Development conduct a study of the Community Development Block Grant process and named three First Assembly District representatives to participate in a working group to design that study.

Assemblymember Strom-Martin carried legislation in 1998 to give the North Coast Railroad Authority access to State Transportation Funds, to promote tourism through extension of a special CalTrans highway signage program, and to increase financial assistance to local governments that are recovering from last winter's El Niño storms. She was a principal coauthor of Senate legislation to create a program of "Tourism Economic Development Zones" (SB 2086) and was a coauthor of a bill to create a pilot program to fund business incubator development (AB 1187).

Assemblymember Strom-Martin also coauthored legislation to return Educational Revenue Augmentation Funds to local governments (AB 95) and to establish a California Regional Collaboratives Economic Development Program within the Trade and Commerce Agency (AB 899). In addition, she is a coauthor of a Senate regulatory reform bill (SB 1086).

Where do we go from here? It is the Committee's hope that this report will provide the impetus to move Rural California toward diversified, sustainable prosperity. It's up to us to make the next move.



Appendices

The Select Committee on Rural Economic Development would like to acknowledge the work of the many First Assembly District residents involved in planning and organizing the Committee's 1997 hearings. Our thanks to the many conference participants who helped make the events so successful.

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